



**MINUTES FROM THE MEETING OF THE INVESTMENT
COMMITTEE OF THE PLANS MANAGEMENT BOARD
February 14, 2023**

A virtual meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on February 14, 2023, commencing at 10:00 a.m. Committee members and members of the public were able to participate using the provided dial-in information.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair
The Honorable Colleen C. Davis, State Treasurer
Mr. Secretary Rick Geisenberger, Department of Finance
Ms. Courtney Stewart, Deputy Director (on behalf of Secretary Cade, Office of Management and Budget)
Mr. Todd Roselle
Mr. Dave Biddle

Others in Attendance:

Ms. Liza Davis, Deputy State Treasurer
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. John Meyer, Director of Contributions and Plans Management, Office of State Treasurer (“OST”)
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Principal Financial Advisor, CAPTRUST
Mr. James Duffy, Research Associate, CAPTRUST
Mr. Anthony Durkan, Vice-President, Head of 529 Relationship Management, Fidelity Investments, Inc. (“Fidelity”)
Mr. Paul Greene, Portfolio Manager, Blue Chip Growth Strategy, T. Rowe Price Group
Ms. Monica Elvira, T. Rowe Price Group
Mr. Craig Watson, Portfolio Specialist, Blue Chip Growth Strategy, T. Rowe Price Group

CALL TO ORDER

The meeting was called to order at 10:00 a.m.

APPROVAL OF MINUTES

A MOTION was made by Mr. Colberg and seconded by Deputy Treasurer Davis to approve the minutes from the Committee meeting on November 15, 2022.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

T. Rowe Price Blue Chip Growth I - T. Rowe Price

Mr. Greene reviewed the performance of the T. Rowe Price Blue Chip Growth I fund with the Committee. Mr. Greene stated that negative performance was due to strong sell-off of markets and the influence of macro and geopolitical factors and a large style rotation in the market away from growth toward value. He acknowledged that T. Rowe Price stocks underperformed versus the benchmark. Mr. Greene stated that T. Rowe Price will stay consistent with existing strategy and that they hope to see performance improve with an increase in growth. The Committee followed with discussion and questions.

Treasurer Davis left the meeting [15:50]

Investment Performance on Deferred Compensation Plans – CAPTRUST

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of December 31, 2022, assets in the plans totaled approximately \$1.04 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$239.5 million as of December 31, 2022), reflecting a decrease of approximately \$181.2 million. Quarterly contributions were approximately \$18.2 million. Mr. Allen indicated that the average weighted expense ratio of the funds was 0.30 percent, which is .06 percent less than the average NAGDCA survey result of similar sized plans.

Mr. Allen reviewed the different investment tiers within the plans. As of December 31, 2022, Tier 1 held approximately 71 percent of total assets (\$737.8 million). Tier 1 also received nearly 70 percent (\$12.8 million) of all new contributions in the fourth quarter of 2022. Ninety-two percent of participants are invested in Tier 1 target date funds.

As of December 31, 2022, Tier 2 held approximately 26 percent of total assets (\$272.3 million). Mr. Allen stated that Tier 2 received approximately 30 percent (\$5.4 million) of new contributions in the fourth quarter of 2022.

The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$32.6 million) as of December 31, 2022. Mr. Allen stated that 494 unique participants were investing through the brokerage window at the end of the fourth quarter of 2022, versus 427 as of December 31, 2021.

Mr. Duffy provided market commentary to the Committee. Mr. Duffy stated that the fourth quarter saw modest gains across all asset classes, including commodities. Stocks climbed in the first half of the quarter despite inflation concerns remaining while bond yields were volatile. U.S. large cap stocks outperformed small cap stocks and growth outperformed value due to more exposure in non-US International stocks. Mr. Duffy stated that the outlook for fixed income continues to be optimistic for the 1-year and 10-year yields. Fixed income in 2022 saw the ten-year U.S. Treasury yields rise from 1.52 percent in 2021 to 3.88 percent. Finally, small cap growth saw an increase in the fourth quarter (up by 4.1 percent) and small cap value increased by 8.4 percent.

Investment Performance on College Investment Plan – CAPTRUST

Mr. Duffy reviewed fourth-quarter plan performance for the 529 plan. Total plan assets as of December 31, 2022, were approximately \$612.9 million, a \$17.8 million increase over year-end 2021. Approximately 70 percent of assets (\$428.7.0 million) are in the age-based options, with approximately 30 percent of assets (\$81.4 million) residing in static portfolios or individual funds.

Mr. Duffy updated the Committee on the level of growth for the blend age-based option. This option holds \$12.7 million as of December 31, 2022, versus \$11.1 million at the end of 2021. The majority of plan assets are in the active age-based category.

Mr. Duffy stated that performance of the funds relative to the benchmark was positive while relative performance versus peers was lower than the benchmark.

DISCUSSION AND ACTION ITEMS

Discussion and Vote on Recommendation Regarding T. Rowe Price Blue Chip Growth I

Mr. Colberg led the discussion regarding the removal and replacement of T. Rowe Price Blue Chip Growth I. Mr. Colberg stated this fund has only been on watch for one quarter. Mr. Geisenberger asked if there was policy on how long a fund is on watch prior to its removal. Mr. Meyer stated the length of time is at the discretion of the Board. Mr. Duffy gave an overview of two replacement options. Discussion followed concerning the performance and suitability of J.P. Morgan Large Cap Growth R6 fund and Harbor Capital Appreciation Retirement Fund as possible replacements for T. Rowe Price Blue Chip Growth I. Mr. Duffy presented an overview of the funds for the Committee. He stated J.P. Morgan Large Cap Growth consists of more stock selection, less major sector deviations, has lower costs, and has positive risk adjusted metrics. Comparably, Harbor Capital Appreciation Retirement Fund has a similar philosophy to T. Rowe Price. However, Mr. Duffy further stated it has higher emphasis on risk, has a higher emphasis and overweight in technology but with less key concentration risks. Mr. Duffy stated the long-term performance of J.P. Morgan Large Cap Growth looks strong while the short-term trend is down. Overall, the Committee agreed with the replacement of T. Rowe Price Blue Chip Growth I if growth is replaced with growth and an actively managed fund is in place.

A MOTION was made by Deputy Treasurer Davis and seconded by Mr. Rosselle to recommend that the Board approve the removal of T. Rowe Price Blue Chip Growth I and to replace it with J.P Morgan Large Cap Growth R6.

MOTION ADOPTED UNANIMOUSLY

Discussion and Vote on Recommendation Regarding 2023 Committee Goals

Mr. Meyer presented the 2023 Committee goals to the Board. The Committee's outlined goals include: review of the Tier Two Fund menu; review of SECURE Act 2.0; the extension of the CAPTRUST contract; review of the performance of the providers of managed account services and self-directed brokerage accounts; review of the IRA provider for involuntary force outs; review of the target date series for the deferred compensation plans; review of the investment policy statements for the education savings plan and deferred compensation plans; addressing investment strategies for use of the college administrative fund; and reviewing quarterly performance of the education savings plan and the deferred compensation plans.

**A MOTION was made by Mr. Colberg and seconded by Secretary Geisenberger to recommend that the Board adopt the 2023 Committee goals.
MOTION ADOPTED UNANIMOUSLY**

Discussion Regarding Tier II Fund Offerings

Mr. Colberg initiated discussion with the Committee regarding the Tier II fund offerings. He reviewed the investment options analysis provided by CAPTRUST. CAPTRUST provided additional information regarding offerings and data from other states. The Committee agreed to discuss further at the next meeting. No motion required.

[CAPTRUST team exited the meeting]

Discussion and Vote on Recommendation Regarding CAPTRUST Contract Extension

The Committee discussed the extension of the CAPTRUST consulting agreement. The current CAPTRUST agreement ends in 2023 with two one-year options to extend. The Committee discussed the fees. There is a flat fee charged on the assets which remains constant and competitive. The Committee discussed fees in the industry and the possibility of obtaining lower fees due to consolidation in the industry. The Committee agreed on approving the one-year extension leading to a possible RFP in 2024. Mr. Colberg stated from a fiduciary standpoint the Committee should consider costs versus services provided.

**A MOTION was made by Mr. Colberg and seconded by Secretary Geisenberger to recommend that the Board approve the one-year extension for the CAPTRUST contract.
MOTION ADOPTED UNANIMOUSLY**

Legislative Updates

Mr. Meyer briefed the Committee on the SECURE Act 2.0 provisions. He stated that certain topics may be brought back to the Committee at future meetings. Mr. Meyer stated that several policy issues are currently being explored by OST, such as allowing casual/seasonal employees to participate in the 457(b) plan, auto enrollment for the plans, and bringing back the match for the 401(a) plan.

PUBLIC COMMENT

No members of the public made a comment.

NEXT MEETING

The next meeting of the Board is scheduled for March 7, 2023.

The next meeting of the Committee is scheduled for May 16, 2023.

ADJOURNMENT

The meeting was adjourned by the Chair at 12:10 p.m.

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee